

DAILY POINTS

May 13, 2022 @ 7:45 EST

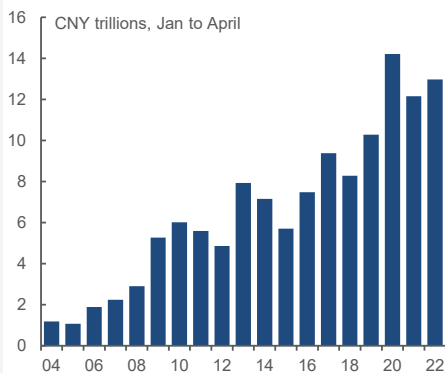
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Chart 1

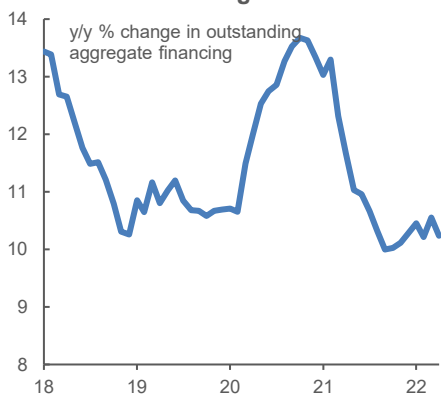
China's Year-to-Date Aggregate Financing



Sources: Scotiabank Economics, Bloomberg.

Chart 2

China's Waning Total Financing Growth



Sources: Scotiabank Economics, Bloomberg.

On Deck for Friday, May 13

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
US	05-13	08:30	Export Prices (m/m)	Apr	--	0.7	4.5
US	05-13	08:30	Import Prices (m/m)	Apr	--	0.6	2.6
US	05-13	10:00	U. of Michigan Consumer Sentiment	May P	65.0	64.0	65.2
US	05-13	11:00	Fed's Kashkari Discusses Energy and Inflation				
US	05-13	12:00	Fed's Mester Discusses Monetary Policy				

KEY POINTS:

- **Friday the 13th brings good luck to markets**
- **It wasn't new, but markets like to constantly hear Powell rule out bigger rate moves**
- **China's financing cools more than expected...**
- **...and a higher yuan fix was set...**
- **...ahead of the PBOC's decision and more data**
- **Peru's central bank hiked as expected**
- **Light US data on tap**

Friday the 13th brings good luck to any superstitious investors out there after all! Who knew!?

Stocks are broadly higher with US snp futures up by about 1%, TSX futures up by just under 1% and European cash markets up by 1 – 1½%. This follows an Asian overnight session that saw broad-based gains led by the Nikkei 225 and Hang Seng that were both up by about 2¾%. Sovereign bond yields are under upward pressure with US Ts about 2bps cheaper in 2s and about 6–7bps at the long end. 10 year gilts and EGBs are also about 5–6bps higher and a little more in Italy. The USD is roughly unchanged on balance as dips by the yen and sterling offset gains across most other major crosses. Oil is up by about 1½%.

I don't see major fresh catalysts to these moves. We're asked to believe that Powell's reaffirmation of 50bps moves while ruling out 75bps hikes offers relief, but if so, investors weren't listening when he previously said it. Even Bullard is not actively thinking of 75bps moves.

Maybe China is also playing into this with markets speculating upon the end of lockdowns while policy and data exert influences. China's financing figures sharply disappointed expectations and might contribute to easing bets as China's 2-year yield was slightly lower overnight while a higher yuan fix drove the currency a bit higher. April's readings indicate total financing was up by only 910 billion yuan (2.2 trillion consensus) and core domestic currency loans were up by 645 billion (1.53 trillion consensus). Year-to-date flows are shown in chart 1 and the year-over-year growth rate in total outstanding balances across all financing products is shown in chart 2. Charts 3 and 4 do likewise just for yuan-denominated loans. The y/y growth rate of the total stock of all financing products is riding at multi-year lows. While the amount by which the financing activity slowed was surprising, the direction is not given Covid Zero lockdowns. Whether this tips the balance in favour of a PBOC rate cut will have to wait until Sunday night when the central bank sets the 1-year Medium-Term Lending Facility Rate just before a batch of readings on the economy land.

Icymi, Peru's central bank did indeed hike by 50bps to a 5% reference rate last evening. Other overnight developments were minor including Norway's GDP that landed on the screws for Q1 (-0.6% q/q SA) but set up a nice built-in effect into Q2 with March GDP up 1% m/m (0.8% consensus) and with a positive revision.

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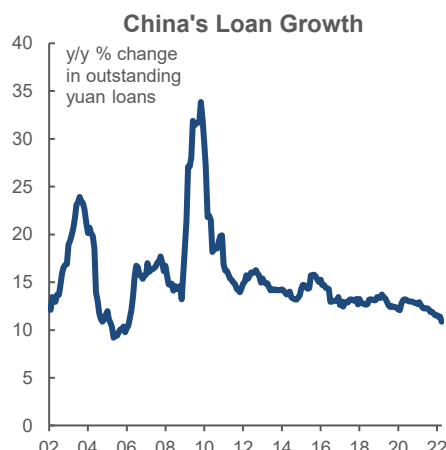
There isn't really anything on tap into the N.A. session that is likely to materially impact broad risk appetite. Twitter is getting hammered (but Tesla shareholders are rejoicing) as Musk's takeover is put on at least temporary hold. US import and export prices for April will be updated at 8:30amET and then the University of Michigan's consumer sentiment for May is due at 10amET and is expected to slip. There will also be limited Fed- and ECB-speak including the Fed's Kashkari and ECB's Nagel at 11amET and then the Fed's Mester and ECB's Schnabel at 12pmET.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Fixed Income	Government Yield Curves (%):												Central Banks		
	2-YEAR			5-YEAR			10-YEAR			30-YEAR			Current Rate		
	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk	Last	1-day	1-wk			
U.S.	2.59	2.56	2.74	2.86	2.82	3.08	2.91	2.85	3.13	3.07	3.02	3.23	Canada - BoC	1.00	
CANADA	2.66	2.64	2.76	2.77	2.74	2.92	2.95	2.91	3.12	2.93	2.89	3.05	US - Fed	1.00	
GERMANY	0.08	0.05	0.32	0.56	0.51	0.85	0.91	0.84	1.13	1.09	1.02	1.24	England - BoE	1.00	
JAPAN	-0.05	-0.05	-0.04	0.01	0.02	0.03	0.25	0.25	0.24	1.01	1.01	1.01	Euro zone - ECB	0.00	
U.K.	1.23	1.18	1.51	1.37	1.30	1.66	1.73	1.66	2.00	1.98	1.92	2.17	Japan - BoJ	-0.10	
Spreads vs. U.S. (bps):															
	7	7	2	-9	-8	-16	4	6	-1	-14	-13	-18	Mexico - Banxico	7.00	
CANADA	-250	-252	-242	-230	-231	-223	-200	-201	-200	-198	-200	-199	Australia - RBA	0.35	
GERMANY	-264	-261	-278	-285	-281	-305	-267	-260	-289	-207	-201	-221	New Zealand - RBNZ	1.50	
JAPAN	-135	-139	-123	-150	-152	-142	-119	-119	-114	-109	-110	-105	Next Meeting Date		
U.K.													Canada - BoC	Jun 01, 2022	
Equities	Level						% change:								
	Last			Change	1 Day	1-wk	1-mo	1-yr							
S&P/TSX	19699			-138.2	-0.7	-4.5	-9.8	2.9	US - Fed						Jun 15, 2022
Dow 30	31730			-103.8	-0.3	-3.8	-8.2	-6.7	England - BoE						Jun 16, 2022
S&P 500	3930			-5.1	-0.1	-5.2	-11.6	-4.4	Euro zone - ECB						Jun 09, 2022
Nasdaq	11371			6.7	0.1	-7.7	-16.7	-13.4	Japan - BoJ						Jun 17, 2022
DAX	13932			191.9	1.4	1.9	-1.0	-8.3	Mexico - Banxico						Jun 23, 2022
FTSE	7346			112.6	1.6	-0.6	-3.1	5.5	Australia - RBA						Jun 07, 2022
Nikkei	26428			678.9	2.6	-2.1	-2.5	-5.9	New Zealand - RBNZ						May 24, 2022
Hang Seng	19899			518.4	2.7	-4.3	-7.5	-29.0							
CAC	6300			93.8	1.5	0.7	-3.7	0.2							
Commodities	Level						% change:								
WTI Crude	107.86			1.73			1.6	-1.7	3.5	69.0					
Natural Gas	7.90			0.16			2.0	-1.8	12.8	165.6					
Gold	1817.09			-4.73			-0.3	-3.5	-8.1	-0.5					
Silver	20.99			-0.80			-3.7	-8.4	-16.1	-23.4					
CRB Index	304.06			-0.84			-0.3	-3.1	-1.3	49.8					
Currencies	Level						% change:								
USDCAD	1.3004			-0.0042			-0.3	1.0	3.5	6.9					
EURUSD	1.0393			0.0013			0.1	-1.5	-4.5	-14.0					
USDJPY	129.01			0.6700			0.5	-1.2	2.7	17.8					
AUDUSD	0.6891			0.0035			0.5	-2.6	-7.5	-10.9					
GBPUSD	1.2196			-0.0006			-0.0	-1.2	-7.0	-13.2					
USDFX	0.9997			-0.0035			-0.3	1.1	7.0	10.3					

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